

Message Text

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ACTION AF-08

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TRSE-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
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FM AMEMBASSY MAPUTO

TO SECSTATE WASHDC 5396

INFO AMEMBASSY PRETORIA

AMCONSUL JOHANNESBURG

AMEMBASSY DAR ES SALAAM

AMEMBASSY LISBON

USDOC WASHDC

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E.O. 11652: N/A

TAGS: EFIN, EINV, PGOV, MZ

SUBJ: GPRM NATIONALIZES INSURANCE COMPANIES

REF: MAPUTO 034

BEGIN UNCLASSIFIED

1. LOCAL PRESS ANNOUNCED JANUARY 11 THAT ALL INSURANCE
ACTIVITY IN THE COUNTRY WAS PLACED UNDER GOVERNMENT
CONTROL EFFECTIVE JANUARY 1, 1977. THE GOVERNMENT HAS
FORMED A STATE ENTERPRISE, EMPRESA MOCAMBICANA DE SEGUROS,
E.E. (EMOSE), BY MERGING THREE MOZAMBIQUE-CHARTERED
FIRMS. A FOURTH MOZAMBIKAN FIRM WAS ORDERED DISSOLVED,
AND ALL LOCAL AGENCIES OF INSURANCE COMPANIES HEADQUARTERED
ABROAD WERE ORDERED TO CEASE OPERATIONS AS OF DECEMBER 31,
1976.

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2. GOVERNMENT DECREE (TEXT TO FOLLOW BY AIRGRAM) STATED
THAT THE OVER WAS ORDERED BECAUSE "THE INSURANCE SECTOR
IN MOZAMBIQUE IS BUILT UPON CAPITALIST SCHEMES AND
STRUCTURES WHICH BRING NO BENEFITS TO THE NATION... BUT ARE
AIMED AT INCREASING THE WEALTH OF THE SHAREHOLDERS."
ADDITIONALLY, THE BUSINESS ACTIVITIES OF THE INSURANCE
AGENCIES HEADQUARTERED ABROAD "HAVE CAUSED A DRAIN ON

FOREIGN RESERVES, ADVERSELY AFFECTING THE BALANCE OF PAYMENTS."

3. THE NEW STATE COMPANY, EMOSE, WAS FORMED FROM THE COMPANHIA DE SEGUROS NAUTICUS, THE COMPANHIA DE SEGUROS LUSITANA, AND THE COMPANHIA DE SEGUROS TRANQUILIDADE. THE FUNCTIONS OF THESE COMPANIES WILL BE TRANSFERRED TO THE STATE COMPANY DURING A TRANSITIONAL PERIOD OF SIX MONTHS. THE GPRM SUBSCRIBED THE CAPITAL OF THE NEW COMPANY IN THE AMOUNT OF 150 MILLION ESCUDOS, ABOUT US\$4.95 MILLION. THE ONLY OTHER LOCALLY CHARTERED INSURANCE COMPANY, COMPANHIA DE SEGUROS MUNDIAL E CONFIANCA DE MOZAMBIQUE, HAS BEEN ORDERED TO CEASE ALL SELLING OF POLICIES AND TO LIQUIDATE ALL OF ITS INSURANCE PORTFOLIO OTHER THAN LIFE INSURANCE BY FEBRUARY 1, 1978.

4. THOSE LOCAL AGENCIES WHICH MUST NOW END THEIR OPERATIONS HAVE UNTIL JUNE 30 TO TRANSFER A DEPOSIT EQUAL TO THEIR RESERVE LIMITS TO THE BANK OF MOZAMBIQUE OR TO THE MOZAMBIQUE INSTITUTE OF CREDIT.

5. THE DECREE STATES, HOWEVER, THAT THE MINISTER OF FINANCE, IN KEEPING WITH THE PROTOCOL OF AGREEMENT BETWEEN MOZAMBIQUE AND PORTUGAL CONCERNING INSURANCE OPERATIONS BETWEEN THE TWO COUNTRIES, MAY ORDER A DIFFERENT METHOD FOR THE TRANSFER OF DEPOSITS FROM LOCAL AGENCIES OF PORTUGUESE COMPANIES.

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6. COMMENT: THE NATIONALIZATION OF INSURANCE COMPANIES HAS BEEN EXPECTED FOR SOME TIME. MOST LOCAL BRANCHES BEGAN TO CLOSE MONTHS AGO, AND ONLY THE THREE COMPANIES WHICH WERE MERGED TO FORM THE STATE COMPANY HAVE BEEN WRITING NEW POLICIES. WHILE THE INTENTIONS OF THE GOVERNMENT TO TAKE OVER THE INSURANCE SECTOR HAS BEEN AN OPEN SECRET FOR MONTHS, THE PSYCHOLOGICAL IMPACT OF THE DECREE ON THE DECREASING PRIVATE SECTOR SHOULD NOT BE UNDERESTIMATED. RUMORS ABOUND OF NATIONALIZATIONS IN OTHER SECTORS, ESPECIALLY BANKING, AND DENIALS OF FURTHER NATIONALIZATIONS BY GPRM OFFICIALS ONLY FUEL SPECULATIONS OF BUSINESSMEN WHO "HAVE HEARD THAT ONE BEFORE."
DE PREE

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